

Committee on Ways and Means

Future Innovations in Medicare

- The *Deficit Reduction Act* contains two demonstration projects that will reduce waste in the Medicare program and may decrease health care costs overall.
- First, the post-acute care demonstration will analyze the costs and outcomes of patient care following hospitalizations across different post-acute settings, such as long term acute care hospitals, inpatient rehabilitation facilities, skilled nursing facilities, and home health.
 - Medicare currently pays radically different amounts for services across the post-acute care settings that can be unrelated to the actual levels of rehabilitation services that a beneficiary needs.
 - This results from lack of a standardized approach to collect data on patient needs and inability to assess quality or efficiency differences across settings.
 - This demonstration will provide the basic information needed to ensure that Medicare no longer overpays for beneficiaries who don't require highly specialized services or underpays for beneficiaries who need a higher level of care.
- Second, the gainsharing demonstration will test arrangements between hospitals and other providers on the use of hospital resources to determine if different arrangements can improve the quality and efficiency of care provided to Medicare beneficiaries.
- This program will study new ways to permit hospitals and other providers to work together to improve quality and efficiency, while protecting patients.